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Chair: Mr. Berger . . . . . (Germany)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kelapile

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The meeting was called to order at 3.10 p.m.

Agenda item 132: Improving the financial situation of the United Nations (*continued*) (A/67/522)

1. **The Chair**, recalling that the Under-Secretary-General for Management had briefed the Committee on the current financial situation of the Organization at its 6th meeting, held on 11 October 2012, said that his statement from that meeting had been issued as a report of the Secretary-General (A/66/522).

2. **Mr. Takasu** (Under-Secretary-General for Management) said that, since 11 October 2012, the United States of America had paid $69 million in regular budget contributions and $2.7 million in contributions for the international tribunals, and the Democratic People's Republic of Korea had paid its outstanding arrears in full. In addition, the following Member States should be added to the list of those that had paid their contributions in full: Belarus, the Dominican Republic and Haiti for the regular budget; Hungary for peacekeeping operations; Serbia for the international tribunals; and Iran for the capital master plan. Accordingly, Hungary had paid in full all its due and payable assessments, bringing the total number of Member States to have done so to 32.

3. **Mr. Mihoubi** (Algeria), speaking on behalf of the Group of 77 and China, said that, while the Group had noted the reduction in outstanding contributions to the regular budget and peacekeeping operations and the progress in payment of outstanding debts to Member States that provided troops, police officers and equipment for peacekeeping operations, it would continue to monitor the situation to ensure reimbursement in full, on time and as a matter of priority. Most of those States were developing countries, and were unable to sustain their troop commitments and maintain contingent-owned equipment unaided for extended periods. The sacrifice and dedication of their many nationals working in the field should be acknowledged. In connection with the peacekeeping missions with a cash deficit, the Group called on all countries which had not paid their assessments in full and on time to do so as promptly as possible.

4. Payment of assessed contributions in full, on time and without conditions was an obligation under the Charter of the United Nations. All Member States in a position to honour their financial commitments should do so promptly. The Group rejected all unilateral coercive measures contrary to international law that obstructed or impeded payments from its members.

5. While the Group welcomed the fact that nearly all of the contributions to the capital master plan budget had been paid, it was concerned that the current phase of the project would not be completed on time, with a possible impact on the assessments of Member States. Proposals made by the Secretariat might simply reduce the scope of the project without addressing its cost overruns. The Group would therefore continue to follow the matter closely.

6. Lastly, the interpretations attached by some delegations to paragraph 27 of resolution 66/246 had given rise to concerns. The Group expected the Secretariat to comply fully with the resolution and would not accept any further arbitrary cuts to an already reduced budget.

7. **Ms. Pakarati** (Chile), speaking on behalf of the Community of Latin American and Caribbean States (CELAC), said that, although CELAC welcomed the slight improvement in the overall financial situation of the United Nations and the increase in the number of Member States that had met their obligations in full, it was concerned at the significant remaining deficits for the regular budget and the budgets for peacekeeping and the international tribunals. Even though more Member States had paid their assessments in full, the budget deficit for the international tribunals had actually increased. Payment arrears risked compromising the Organization's financial stability. Member States must their meet financial obligations on time and without conditions, especially when their debt was substantial, as was repeatedly the case for one particular Member State.

8. Welcome progress had been made by the Secretariat to pay outstanding debts to Member States for troops, police units and contingent-owned equipment, and it was hoped that further efforts would be made to reimburse States in full and on time. That reimbursement depended, of course, on the prompt and full payment of assessments by all Member States. She noted that several CELAC members were making considerable sacrifices in order to sustain their troop commitments and maintain contingent-owned equipment.

9. Most Member States had paid their contributions to the capital master plan in full. However, the possible

reduction in the scope of the plan would not solve the cost overruns. It was the responsibility of the Secretariat to implement the project on budget and within the agreed time frame. Paragraph 27 of General Assembly resolution 66/246 should not be interpreted as justification for ruling out post-related recosting for inflation and exchange rate projections, a matter which was due to be considered at the current session.

10. Lastly, CELAC rejected all unilateral coercive measures contrary to international law and liable to obstruct or impede payments from its members.

11. **Mr. Vrailas** (Observer for the European Union), speaking also on behalf of the acceding country Croatia; the candidate countries Iceland, Montenegro, Serbia and the former Yugoslav Republic of Macedonia; the stabilization and association process countries Albania and Bosnia and Herzegovina; and, in addition, Georgia, the Republic of Moldova and Ukraine, reiterated that it was the responsibility of all Member States to pay their assessed contributions in full, on time and without conditions, while budgetary responsibilities should be shared among States in a fair and equitable manner. Moreover, the Organization should make effective and efficient use of its resources.

12. While the financial indicators for 2012 were generally positive, the Secretariat and Member States should continue to collaborate closely to explore alternatives to improve the budgeting process, and Member States that had yet to pay their assessed contributions should do so in full as rapidly as possible. The member States of the European Union hoped that the decreasing budget deficit for peacekeeping operations was a sign of further structural improvements in the peacekeeping budgeting process, but regarded the financing of active peacekeeping operations from the accounts of closed peacekeeping operations, owing to unpaid assessments, as unsustainable. The balance of closed peacekeeping mission accounts must be returned to Member States, in accordance with the Organization's Financial Regulations and Rules.

13. In addition, he hoped that the downward trend in the Organization's projected debt to Member States that had provided troops, police units and contingent-owned equipment to peacekeeping operations would continue, and welcomed the commitment of the Under-Secretary-General for Management in that regard.

14. Lastly, although the majority of Member States had paid their contributions to the capital master plan, concerns persisted about the cost overruns. The Secretary-General should therefore continue to identify further cost-saving measures, even at the current late stage of the project.

15. **Mr. Sheck** (Canada), speaking also on behalf of Australia and New Zealand, said that, while the positive developments in the Organization's financial situation were welcome, the significant disbursements foreseen for the final quarter of 2012 risked compromising its cash position unless those Member States that had yet to do so paid their assessed contributions. He also welcomed the Secretariat's efforts to expedite outstanding payments to Member States that had provided troops and equipment to peacekeeping operations, and the lower deficit in peacekeeping budgets, although that was partly the result of lower peacekeeping assessments. Real efficiencies in that area therefore depended on structural improvements to the planning, implementation and operation of peacekeeping missions.

16. The significant percentage of unpaid assessments was a cause for concern. Although the mismatch in financial years between the United Nations and some Member States explained some of the arrears, persistent failure to pay would lead to serious liquidity problems across the Organization, and had historically resulted in imprudent cross-borrowing between the accounts of active and closed peacekeeping operations. All Member States should therefore pay their contributions in full, on time and without conditions. Eligible Member States should also consider multi-year payment plans to address their payment arrears.

17. All Member States had a shared responsibility to their citizens to ensure that resources entrusted to the United Nations were managed effectively and efficiently. In that connection, the Secretary-General's efforts to improve financial discipline, oversight and accountability were most welcome and should be supported by Member States. In order to overcome the challenges of providing greater security, freedom and prosperity, Member States must work with the Secretariat to ensure that available resources were used wisely to produce real and lasting results.

18. **Mr. Sul** Kyung-hoon (Republic of Korea) said that it was encouraging that the overall financial

situation of the United Nations appeared sound, despite the severe economic difficulties faced by many Member States; a sign that they were committed to the Organization and its mandate. In return, the Organization should demonstrate its commitment to strengthen budgetary discipline and thus improve efficiency and effectiveness, which would ultimately enhance its relevance and credibility. His Government had met all its financial obligations in full, as it believed that the goals of the United Nations were best served by Member States making contributions willingly.

19. **Mr. Ayzouki** (Syrian Arab Republic) said that the Syrian Arab Republic, a founding member of the Organization, had always been committed to the principles of its Charter, including the principle of paying assessed contributions in full, on time and without conditions. Its payments had always been prompt, despite the challenges facing it as a developing country, and notwithstanding the unjust and illegal sanctions applied to it in violation of the same Charter and international law. Accordingly, it had discharged its financial obligations to the regular budget, capital master plan and international tribunals in the previous year, and its obligations to the regular budget, capital master plan, international tribunals and most peacekeeping operations in the current year.

20. Recalling the views previously expressed by his delegation, he said that States which applied sanctions against his country claimed to be acting in the interests of its population, yet deprived that population of electricity and other facilities, and channelled millions of dollars to terrorist groups which were perpetuating a political crisis that could be resolved only through negotiation. The sanctions had also prevented his delegation from transferring resources to fund its day-to-day activities. Problems with the host country's banks had led first to the closure of the delegation's bank account in New York City in 2011, then to the opening of a replacement account with a bank in Washington, D.C., which had in turn been closed, and, finally, to the complete absence of a United States bank account for the previous seven months.

21. None of the banks contacted by the representatives of his country had been willing to open an account for the use of his delegation, despite receiving instructions from the United States Department of State indicating that neither his country's Permanent Mission to the United Nations in New York nor its Embassy in Washington, D.C., were subject to sanctions. He wished to remind the host country of its responsibility to ensure that delegations could conduct their business with the Organization and to urge it to find a rapid solution to the problem. The Secretariat, meanwhile, was responsible for ensuring that the host-country authorities complied the Headquarters Agreement with the United Nations. His delegation had sent a memorandum to the Secretary-General to seek his assistance in opening a bank account with the United Nations Federal Credit Union, as the latter had not replied to a request to that end made six months previously.

22. In implementing its resolutions, the General Assembly should translate into action the wishes of all the Member States, rather than promoting policies which ran counter to the founding principles of the Organization and were driven by a smaller group of influential Member States.

23. **Mr. Pankin** (Russian Federation) said that, while his delegation welcomed the increase in the number of Member States that had paid their assessed contributions in full, it was concerned that a handful of Member States continued to account for the largest share of the arrears to the regular budget. Despite the signs of financial stability indicated in the related report of the Secretary-General and the statement of the Under-Secretary-General for Management, failure to fulfil financial obligations to the Organization risked harming its activities and effectiveness, its ability to cope with challenges and threats, and its implementation of mandates approved by the General Assembly. At the same time, the Member States, which were shouldering the burden of financial support for the Organization while suffering severe domestic budget restrictions, were entitled to expect from the Secretariat rational financial planning and a realistic forecast of the financial and human resources required to implement approved mandates.

24. **Mr. Pehlivan** (Turkey) said that the generally positive overall financial situation of the Organization and the improvement compared to 2011, despite the ongoing global economic crisis, were signs that the United Nations had disbursed the resources entrusted to it by the Member States in an effective and efficient manner.

25. With the cash position of the Organization projected to be tight in the run-up to the end of the

year, all Member States should pay their assessed contributions in full and on time, especially the handful of States that owed significant amounts to the regular budget and those States which, as permanent members of the Security Council, had special responsibilities for the maintenance of peace and security, but had yet to pay their considerable contributions to the peacekeeping budgets. Prompt payment of peacekeeping contributions was necessary to ensure that countries providing troops, police units and contingent-owned equipment for peacekeeping operations were reimbursed. The accumulation of arrears in assessed contributions had a negative effect on the Organization's ability to fulfil its mandate.

26. **Mr. Bamba** (Côte d'Ivoire) said that the Secretariat should monitor the financial situation closely and increase its efforts to ensure that all Members States fulfilled their financial obligations, given that, despite the Organization's generally positive situation, projected disbursements for the last quarter of the year were expected to produce liquidity problems before the year-end.

27. His delegation was also concerned about the level of arrears for peacekeeping operations, particularly as many Member States appeared to be waiting for the new scale of assessments to be approved before paying their contributions; a situation that had forced the Secretariat to cross-borrow resources from the accounts of closed peacekeeping missions. All Member States should therefore fulfil their obligations.

28. Lastly, the Secretariat should continue its efforts to reimburse Member States that had provided troops and equipment for peacekeeping operations, in full and on time, so that they could continue to support those operations.

29. **Mr. Ye** Xuenong (China) said that, as the United Nations, the world's most universal, representative and authoritative intergovernmental organization, played an increasingly important role in maintaining world peace, promoting development and strengthening international cooperation, it was essential that it had a stable financial foundation. Member States should therefore pay their assessed contributions on time, in full and without conditions.

30. Many developing countries had made great efforts to fulfil their financial obligations to the Organization, despite their economic difficulties. However, the outstanding unpaid assessed contributions to the regular budget and peacekeeping operations, a large portion of which was owed by major contributors, would cause significant financial strain by the end of the year.

31. The timely reimbursement of costs incurred by States that had provided troops and equipment for peacekeeping operations would help to alleviate the financial burden borne by many developing countries. His delegation therefore welcomed the Secretary-General's commitment to meet those obligations.

32. **Mr. Khan** (Pakistan) said that, with the global financial climate remaining complex, the Organization's past difficulties with collecting assessed contributions had not entirely disappeared. His delegation was particularly concerned at the increasing arrears in payments owed to Member States contributing troops, police and equipment to peacekeeping missions. That situation not only had a negative effect on the Organization's liquidity, but also compromised its ability to fulfil its mandates and presented its peacekeeping structures with increasing operational challenges. While the payment of assessments for peacekeeping operations was sometimes delayed for understandable procedural reasons, countries with the capacity to pay should have no difficulty settling outstanding amounts within a reasonable time.

33. Pakistan believed that the systemic problem of peacekeeping financing must be resolved permanently, and hoped that the negative effects of persistent failure to pay would be taken seriously by those States which had the capacity to pay but had delayed doing so. It also hoped that the Secretariat would continue its efforts to ensure that the amounts owed to troop-contributing countries were paid rapidly and in full.

34. His delegation was encouraged that, despite the increase in unpaid assessments in the current biennium compared to the previous biennium, the Organization had not had to resort to cross-borrowing to meet its cash requirements. With regard to the capital master plan, it trusted that the Committee would be able to take up the issue of cost overruns at the appropriate time. Finally, it wished to reiterate that financial constraints could not be invoked to withhold funds from the Organization, which could not fulfil its mandates or be effective if it was under-resourced. As proof of their responsibility, Member States must

honour the financial obligations enshrined in the Charter of the United Nations.

35. **Ms. Lingenfelder** (South Africa) said that her delegation understood, and sympathized with, the genuine payment difficulties facing some States, but wished to emphasize the obligation of all Member States to pay their contributions in full, on time and without conditions, in order to bear the financial expenses of the Organization in accordance with its Charter and their capacity to pay. While the reduction in the level of unpaid peacekeeping assessments was welcome, the Secretariat should expedite settlement of all outstanding claims, including reimbursement to troop-contributing countries.

36. **Mr. Ono** (Japan) said that, pursuant to the Charter of the United Nations, every Member State had an obligation to pay its assessments in full and on time. Japan's determination to fulfil its international commitments and play an active role in maintaining international peace and prosperity was unchanged, and it had therefore complied with its payment obligations towards the Organization despite suffering financial strain.

37. He welcomed the Secretariat's awareness, reiterated by the Under-Secretary-General for Management in his introductory statement, that many Member States were in a serious financial situation, and that scarce resources must be used with care, but called on it to pursue more efficiency and effectiveness in implementing the mandates conferred by the Organization's legislative organs. The General Assembly should examine the effect on the current budget of any potential additional requirements and also scrutinize the budget outline for the following biennium in order to set realistic levels of resources for the implementation of mandates.

38. **Mr. León González** (Cuba) said that the predicted pressure on the Organization's resources at the end of the current year would only abate if financial commitments to the Organization were met in full, on time and without conditions. Only then could the debts to troop-contributing countries continue to be cleared and the surpluses in the accounts of closed peacekeeping missions be returned to the Member States, avoiding a situation in which some States eminently able to pay their contributions sought to have others subsidize their obligations. The obstacles faced by many States wishing to make pay their contributions to the regular and other budgets must not be ignored, and the commendable efforts of the developing countries must be recognized. In that connection, Cuba rejected all unilateral coercive measures contrary to international law that obstructed or impeded payments from developing countries.

39. Despite the challenges it faced as a developing country and a victim of the unending financial crisis, Cuba maintained its commitment to multilateralism by actively participating in the United Nations and meeting its financial obligations. It had fully paid its assessments for the regular budget, the capital master plan and the international tribunals, and was making great efforts to keep up to date its contributions for peacekeeping operations. It would hold fast to its commitments, despite the aggressive economic, commercial and financial embargo imposed by the United States. Because it was unable to use the United States dollar or make direct transfers, its payments were subject to currency fluctuations and must be made through a third party. Cuban bank transfers to international organizations had been frozen on many occasions, even when denominated in euros.

40. The hardening of existing policies was inevitably affecting international assistance to Cuba, including that provided by multilateral agencies. Examples included the project-related payment difficulties reported in January 2012 by the Office of the Resident Representative of the United Nations Development Programme (UNDP) in Cuba, and similar financial and licensing difficulties caused by the United States Office of Foreign Assets Control (OFAC) in December 2011 in connection with projects, run by Cuba and the Global Fund to Fight AIDS, Tuberculosis and Malaria, to supply antiretrovirals, including ritonavir, available only from the United States company Abbott Laboratories.

41. The extraterritorial nature of the unilateral economic, financial and commercial embargo violated international law and the principles of the Charter of the United Nations. It was the principal obstacle to the country's development. Despite the twenty calls made by the General Assembly for its elimination, the will of the international community had been disregarded.

42. Cuba could not accept arbitrary reinterpretation of the letter and spirit of the decisions of the General Assembly. It was therefore deeply concerned at the odd interpretation attached by some to paragraph 27 of

resolution 66/246. Under no circumstances should it be taken as ruling out post-related recosting for inflation and exchange rate projections, as that would lead to arbitrary reductions to a budget already under pressure at the current time.

43. His delegation called on the Secretariat and the Office of the Capital Master Plan to ensure that the project was completed on time and within the budget and scope approved by the General Assembly. It wished to thank the Contributions Service for its assistance in tracking the status of Cuba's contributions, particularly through the online contributions portal.

44. **Mr. Ang** Wee Keong (Singapore) said that his delegation welcomed the notable improvement in the number of Member States that had paid their regular budget assessments in full, but was concerned at the significant amounts still owed. While it understood that some Member States faced genuine difficulties making payments in full and on time, those countries did not account for a significant share of the Organization's budget, and much of the outstanding sum was owed by one major contributor.

45. The payment of assessed contributions on time and without conditions was a requirement of the Charter of the United Nations. Deliberate withholding of payments was not only short-sighted and irresponsible, it also compromised the Organization's financial standing. His delegation urged all Member States to make their payments in order to return the Organization to financial stability and sustainability. At the same time, the Organization must demonstrate its ability to manage the financial resources entrusted to it more effectively, answering to the Member States in the same way that the Member States must answer to their taxpayers, particularly when Member States were adopting strict austerity measures themselves.

46. The Organization must earn the confidence of the Member States by working in a more transparent and consultative way, and by providing clear, complete and timely information. The Secretariat must exercise more fiscal prudence and discipline, and show its commitment to building a strong, effective and results-oriented Organization, as the only way to eliminate the mistrust and suspicion that had built up between it and its Member States, preventing common, cohesive and constructive action to fulfil the Organization's mission.

47. The United Nations, as the only multilateral organization with global membership and universal legitimacy, was best placed to address the world's increasingly complex and unpredictable challenges. However, it could not do so without a timely and consistent supply of resources. Singapore urged all Member States to comply with the financial obligations established by the Charter of the United Nations. However, the Organization could not expect greater commitment from its Member States without strengthening its accountability, transparency and ability to deliver results.

48. **Mr. Takasu** (Under-Secretary-General for Management) said that the Organization had no independent source of general income and therefore relied on receiving contributions from its Member States in full, on time and without conditions in order to prevent disruption of its operations. The positive trend in its financial situation, despite difficult global economic circumstances, was a result not so much of its own efforts, but of the efforts of the Member States. He wished to promise the Member States, on behalf of the Secretary-General, that the Secretariat would not waste the resources received, but make prudent, effective and efficient use of them.

49. Responding briefly to comments from Member States' representatives, he said that the end-of-year financial pressure could be addressed by drawing on the Working Capital Fund, but that that in itself would be insufficient. He hoped that the payment arrears, including those affecting the international tribunals, would drop in the final months of the year. Recognizing that peacekeeping operations would be impossible without the involvement of the Member States, the Secretariat was making great efforts to reduce the amounts owed to countries contributing troops and equipment. The main problem it faced was the level of cash reserves, but it was endeavouring to tailor activities to the resources available.

50. **Ms. Casar** (Controller) said that the Secretariat was engaged on an almost daily basis in resolving the problem with access to bank accounts faced by certain Member States, and appreciated the efforts of those countries to pay their contributions despite their difficulties. An important meeting between the host-country authorities and the banks was to take place the next day, and the Secretariat was in dialogue with all the parties involved, including the banking regulatory bodies.

51. Turning to the use of the surpluses in the accounts of closed peacekeeping missions, she recalled that the General Assembly was due to examine options to address the issue of financing at the second part of the resumed sixty-seventh session in 2013.

The meeting rose at 4.35 p.m.